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October 2, 2012

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VIA ECFS

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: *Petition for Waiver of Dell Telephone Cooperative, Inc.; Connect America Fund, WC Docket No. 10-90; A National Broadband Plan for Our Future, GN Docket No. 09-5; Establishing Just and Reasonable Rates for Local Exchange Carriers, WC Docket No. 07-135; High-Cost Universal Service Support, WC Docket No. 05-337; Developing a Unified Intercarrier Compensation Regime, CC Docket No. 01-92; Federal-State Joint Board on Universal Service, CC Docket No. 96-45; Lifeline and Link-Up, WC Docket No. 03-109; Universal Service Reform – Mobility Fund, WT Docket No. 10-208*

Dear Ms. Dortch:

On September 28, 2012, Denny Bergstrom of Dell Telephone Cooperative, Inc. ("Dell Telephone"), Rob Bresnahan of Kiesling Associates, and Steve Merlis and the undersigned with Wiley Rein LLP, counsel for Dell Telephone, met with Carol Matthey, Rebekah Goodheart, Trent Harkrader, Michael Jacobs, Katie King, Susan Miller, Gary Seigel, and Joseph Sorresso with the Wireline Competition Bureau to discuss Dell Telephone's Petition for Waiver in the above-referenced proceedings. Stephanie Dukes of GVNW Consulting participated in the meeting on behalf of Dell Telephone via telephone.

During the meeting, Dell Telephone discussed the extremely high costs it faces in deploying and operating its communications network in rural Texas and New Mexico and the importance of universal service support to the company's ability to continue meeting the communications needs of its customers. Dell Telephone provided information regarding the company, its service territory, and customers. Dell Telephone also explained that it has met the standard for a waiver, noting specifically that, absent a waiver, Dell Telephone will: (i) go out of business no later than 2016, leaving its customers without access to voice and broadband services; and (ii) be in default on its outstanding loans with the Rural Utilities Service.

Marlene H. Dortch

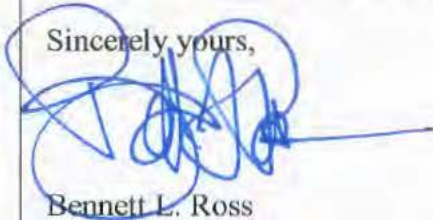
October 2, 2012

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During the meeting, Dell Telephone provided materials regarding the company's operations, a public version of which is attached. Dell Telephone also responded to questions from staff about these materials, which addressed the company's services, pricing, financial forecasts, and long-term viability

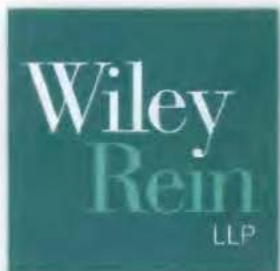
Pursuant to 47 C.F.R. § 1.1206 of the Commission's rules, please include this ex parte filing in the above-referenced docket.

Sincerely yours,



Bennett L. Ross

cc: Carol Matthey
Rebekah Goodheart
Trent Harkrader
Michael Jacobs
Katie King
Susan Miller
Gary Seigel
Joseph Sorresso



Dell Telephone Petition for Waiver

September 28, 2012

REDACTED—FOR PUBLIC INSPECTION

Key Takeaways

- The record confirms that Dell Telephone has met the standards for a waiver.
- Dell Telephone faces extremely high operational costs with little opportunity for revenue growth.
 - Huge service area/low population density
 - Topographic challenges
 - Climatic challenges
 - Heightened requirements of public safety customers
 - Demographic challenges
- Absent a waiver, Dell Telephone will be out of business no later than 2016, leaving most of its 800+ customers without voice and/or broadband services.

Waiver Request

- Dell Telephone requests a waiver of:
 - The \$250 per line monthly cap on HCLS
 - The rule limiting reimbursable capital and operating expenses for HCLS
 - The updated and extended limits on recovery of corporate operations expenses applied to HCLS and ICLS

Waiver Standard

- The Commission has considerable discretion to waive its rules for good cause shown. *See* 47 C.F.R. § 1.3.
- In the *USF/ICC Transformation Order*, the Commission identified the following factors it will consider in evaluating a waiver request:
 - Whether the carrier needs additional support to ensure that its customers continue receiving voice service in areas where there are no terrestrial alternatives.
 - Whether consumers will be at risk of losing voice services, with no alternative terrestrial providers available to provide voice telephony service.
 - Whether the carrier will default on existing loans or become insolvent.

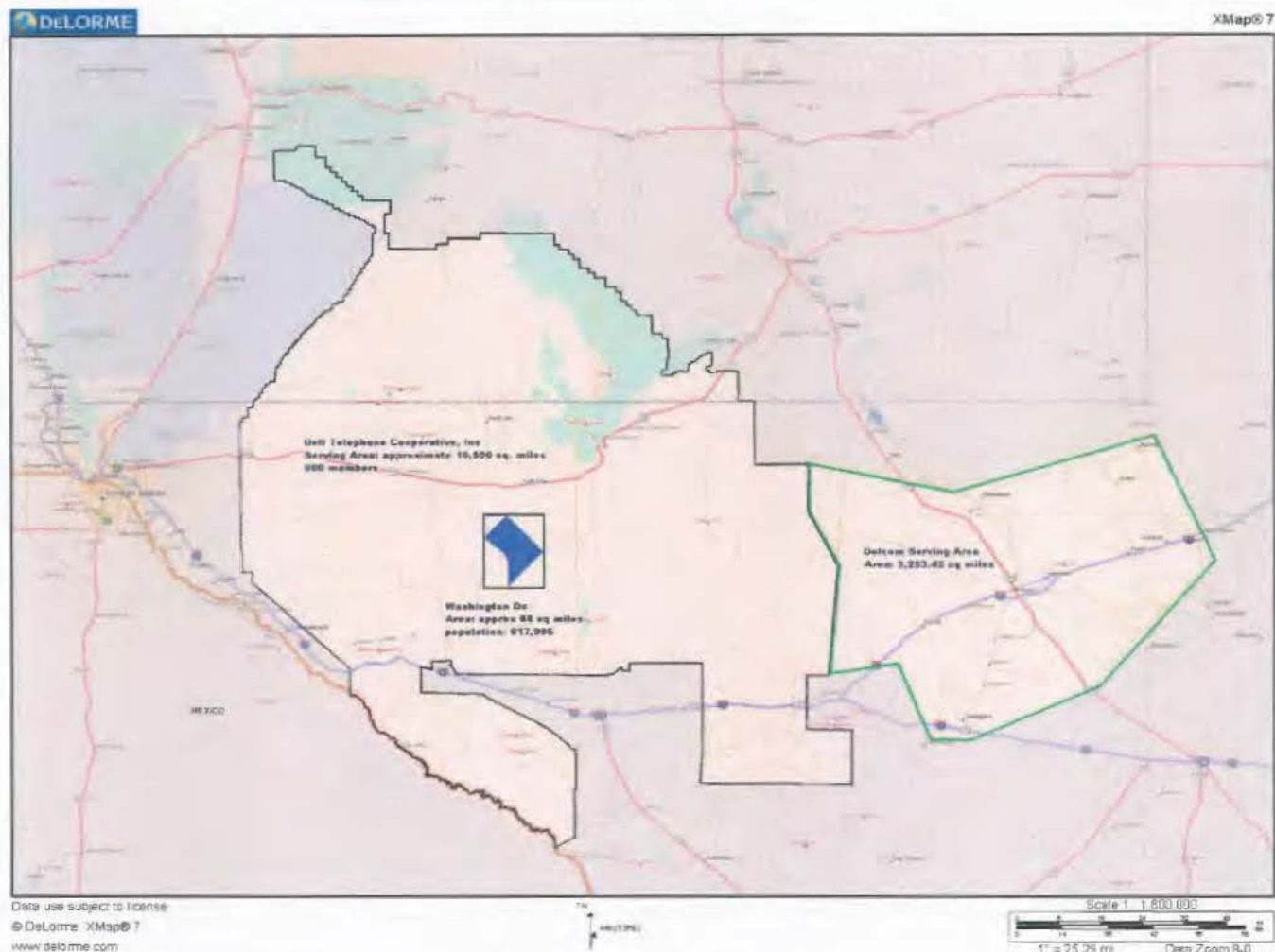
Dell Telephone Has Met the Standard For a Waiver

- *First*, Dell Telephone will go out of business absent a waiver, given its extremely high operational costs and limited opportunity for revenue growth.
- *Second*, consumers, businesses, and critical anchor institutions—including government entities tasked with protecting our nation's border—will lose voice and broadband services absent a waiver.
- *Third*, Dell Telephone will default on its outstanding loans with RUS—[REDACTED]—absent a waiver.

Overview of Dell Telephone

- For more than fifty-five years, Dell Telephone has served customers in the remote Trans-Pecos Region of West Texas and Southeastern New Mexico.
 - Dell Telephone currently operates an innovative and cost-effective network that integrates traditional wireline and new wireless technologies.
 - Dell Telephone meets the high capacity, high security needs of border security and anchor institution customers, while also reaching customers in remote areas of West Texas.
- Despite efforts to utilize cost-effective technology and prudently operate its network, Dell Telephone's costs remain extremely high.

Dell Telephone Service Area (as compared to the size of D.C.)



Small But Diverse Customer Base

- Dell Telephone serves approximately [REDACTED] at approximately [REDACTED] customer premises.
- Anchor Institutions
 - Federal agencies (U.S. Border Patrol; U.S. Immigration and Customs Enforcement; Dept. of Agriculture; Dept. of the Interior; U.S. Forest Service; National Weather Service; FAA)
 - Texas Department of Transportation
 - Rio Grande Council of Governments
 - Dell City Independent School District
- Business Customers
 - Local agricultural and ranching businesses
 - Electric and gas utilities
 - Union Pacific Railroad
 - Blue Origin (aerospace R&D company owned by Amazon founder, Jeff Bezos)



Lack of Alternative Providers

- Terrestrial Voice Service
 - Dell Telephone is the only voice provider that covers its entire service territory.
 - Verizon Wireless, AT&T Mobility, and Sprint each cover less than [REDACTED] percent of Dell Telephone's territory, and they all rely on Dell Telephone for backhaul services.
- Broadband Service
 - Dell Telephone is the only provider of high-speed broadband services that covers its entire service territory.
 - The three wireless providers collectively cover less than 2% of Dell Telephone's service area with 3G data services.

Geographic Challenges—Low Population Density

- Service territory = 10,498 sq. miles (nearly the size of Massachusetts)
 - Dell City (pop. 385) is the only sizable town served
 - Population Density \approx 0.08 customers per sq. mile
- Dell Telephone incurs sizable costs serving this vast territory.
 - The company's service trucks, for example, traverse between 55,000 and 60,000 miles annually.

Topographic and Climatic Challenges

- Service area covers 10 different mountain ranges.
- Deploying facilities in this rugged, mountainous terrain is costly and time-consuming.
 - Rock saws are often needed to bury plant.
 - Fixed wireless solutions, which require line-of-sight wireless links, are not cure-alls.
- The region's extreme temperature fluctuations, coupled with extreme thunderstorms and flooding, damage network equipment and drive up maintenance and repair costs.

Customer Service Challenges

- Federal and state public safety agencies rely on Dell Telephone for voice, high-speed broadband, and high-capacity services.
 - Service area covers 59 miles of the Texas-Mexico border.
 - U.S. Customs and DHS rely on Dell Telephone at the Sierra Blanca and Highway 62/180 border checkpoint stations.
 - FAA uses Dell Telephone special access circuits to operate a long-range radar that controls airspace along the border and into El Paso.
- These agencies demand the highest level of redundancy and reliability, which is extremely expensive to achieve.

Demographic Challenges

- Dell Telephone serves a socioeconomically disadvantaged customer base.
 - Counties in Dell Telephone's Texas study area (Hudspeth and Culberson Counties) are some of the poorest counties in the country.
- The Latino population in Dell Telephone's service territory far exceeds the national average, and Commission data show that Latinos have low telephone and broadband subscribership rates.
- These demographic characteristics present additional challenges in ensuring the availability of affordable service.

Financial Challenges Dell Telephone Faces Under FCC's New Rules

- Dell Telephone had its independent consultant calculate the company's projected revenues, including universal service support, that the company stands to receive under the FCC's new rules.
- These projections underscore Dell Telephone's dire financial situation absent a waiver.
 - 2012—Loss of [REDACTED] in support
 - 2013—Loss of [REDACTED] in support
 - 2013-2016—Total support decreases by approximately [REDACTED]
- These projections have proven to be 99.23% accurate, when compared against the actual USF support that Dell Telephone has received this year under the new rules.
- Dell Telephone had its independent auditor project the financial impact to the Company based on the expected support it stands to receive under the FCC's new rules.

Projected Cash Flows of Dell Telephone Absent a Waiver



10-90 Dell Telephone Cooperative Petition for Waiver

REDACTED—FOR PUBLIC INSPECTION

Impact on Business Operations

- Absent a waiver, Dell Telephone will:
 - Realize net losses as early as next year
 - Deplete its cash reserves by 2015
 - Be insolvent by 2016
- Raising rates is not a viable option—Dell Telephone's local rates already exceed the FCC's benchmark by several dollars.
- Selling additional services is not a viable solution.
- Dell Telephone would incur financial losses this year had it not diversified operations.
 - Non-regulated affiliate, Delcom, Inc., was named the fiber construction contractor on a local BIP grant. This contract will provide [REDACTED] in construction revenues in 2012.
 - Without this construction revenue, Dell Telephone would incur a net loss of [REDACTED] in 2012.

Dell Telephone Will Default on its RUS Loans Absent a Waiver

- Dell Telephone has approximately [REDACTED] in outstanding loans with RUS.
 - Payoff dates range from 2012 to 2025
 - Must maintain a Times Earned Interest Ratio (TIER) of 1.5 or above (calculated as Net Income plus Interest Expense over Interest Expense).
- The projected decrease in universal service support will cause Dell Telephone to fall out of compliance with its loan covenants as early as 2013.

Dell Telephone Will Not Survive Absent a Waiver

- Absent a waiver, Dell Telephone will begin realizing net losses and will be in violation of its RUS loan covenants beginning in 2013 and will become insolvent by 2016.
- Absent a waiver, Dell Telephone will have no choice but to shut its doors no later than 2016.
- If Dell Telephone shuts down, most of its customers would lose access to voice, broadband, and wireless services.
- Not surprisingly, Dell Telephone's petition has drawn strong support from a diverse mix of local residents and businesses, public safety officials, and rural carriers.





Questions?

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